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11 Attorneys for Plaintiff

12 IN THE UNITED STATES DISTRICT COURT FOR THE
13 DISTRICT OF NEVADA

14 UNITED STATES OF AMERICA,)
15)
16 Plaintiff,)
17)
18 v.)
19 JAMES A. DILULLO,)
20)
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23)
24)
25)
26)
27)
28)

Defendant.

Case No.

COMPLAINT FOR PERMANENT
INJUNCTION

Plaintiff, the United States of America, states as follows for its complaint against
defendant James A. DiLullo:

Nature of the Action

1. This action has been requested by the Chief Counsel of the Internal Revenue Service, a
delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the
Attorney General of the United States, pursuant to the provisions of I.R.C. §§ 7402, 7407, and
7408.

2. The United States brings this complaint to enjoin DiLullo and any persons in active
concert or participation with him from directly or indirectly:

- (a) Organizing, promoting, marketing, or selling a sham-trust tax-fraud scheme and any
other tax shelter, plan or arrangement that advises or assists others to attempt to
violate the internal revenue laws or unlawfully evade the assessment or collection of

1 their federal tax liabilities;

2 (b) Causing or assisting other persons and entities to understate their federal tax liabilities
3 and avoid paying federal taxes;

4 (c) Making false or fraudulent statements, in connection with the organization or sale of
5 a tax shelter, plan, or other arrangement, about the allowability of any deduction or
6 credit, the excludability of any income, or the securing of any other tax benefit by
7 reason of participating in the tax shelter, plan, or other arrangement;

8 (d) Engaging in any other conduct subject to penalty under I.R.C. § 6700, including
9 making or furnishing, in connection with the organization or sale of a shelter, plan,
10 or arrangement, a statement that he knows or has reason to know to be false or
11 fraudulent as to any material federal tax matter, or by making a gross valuation
12 overstatement;

13 (e) Engaging in conduct subject to penalty under I.R.C. § 6701, *i.e.*, preparing or assisting
14 others in the preparation of any tax forms or other documents to be used in connection
15 with any material matter arising under the internal revenue laws and which DiLullo
16 knows will (if so used) result in the understatement of another person's tax liability;

17 (f) Engaging in any conduct subject to penalty under I.R.C. § 6694 and 6695, including
18 preparing tax returns for customers with frivolous or unrealistic positions, failing to
19 sign returns DiLullo prepares, failing to provide copies of returns or refund claims
20 prepared for customers to them, and failing to provide a list of customers or copies of
21 customers' returns to the IRS on demand;

22 (g) Engaging in any conduct subject to any penalty under the I.R.C.; and

23 (h) Preparing or filing, or helping others to prepare or file, federal income tax returns for
24 anyone other than himself.

25 3. An injunction is warranted based on DiLullo's continual and repeated violation of the
26 internal revenue laws, including engaging in conduct subject to penalty under I.R.C. §§ 6700,
27 6701, 6694, and 6695.

28 **Jurisdiction and Venue**

1 This Court has jurisdiction over this action to enjoin DiLullo from violating and
2 interfering with the administration of the internal revenue laws pursuant to 28 U.S.C. §§ 1340 and
3 1345 and Internal Revenue Code (I.R.C.) (26 U.S.C.) §§ 7402, 7407, and 7408.

4 5. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1391 and 1396 because DiLullo
5 resides in this judicial district.

6 **Defendant**

7 6. On information and belief, DiLullo resides at 4614 Grand Drive, #3, Las Vegas, NV

1 89109.

2 7. DiLullo conducts business through the registered entity Equity Management Corp.,
3 which uses a post office box at 2375 East Tropicana, Las Vegas, NV 89119 and the unregistered
4 entity Noble Trust Services Co. purportedly located in Freeport, Bahamas. Upon information and
5 belief, DiLullo also conducts business through several other entities, including but not limited to
6 Real Estate Management Trust, Amena Trust, Noble Trust, and Equity Management Trust.

7 8. DiLullo is neither a licensed Certified Public Accountant nor a lawyer. DiLullo
8 identifies himself as an “expert trust facilitator.”

9 9. DiLullo has failed to file his own federal income tax returns for at least nine years. He
10 relies on his status as a non-filer to represent to customers how his sham-trust scheme can be used
11 to allow them to become non-filers.

12 10. DiLullo advises customers that he was a candidate for the Nevada State Senate, and
13 corresponds with customers using stationery with letterhead that reads, “Jim DiLullo, Nevada
14 State Senate, District #5.”

15 11. DiLullo has at least one offshore account with Provident Bank of Belize, to which he
16 wires funds from the accounts of Equity Management Corp., a corporation which he controls.

17 12. DiLullo has made several trips to Belize and Thailand, which he advises customers
18 are significant for his trust scheme.

19 **Overview of Defendant’s Activities**

20 13. DiLullo promotes and operates a sham-trust tax-fraud scheme that uses sham
21 domestic and foreign trusts that he sets up for customers to conceal the customers’ income and
22 assets. He prepares the trusts’ information tax returns for scheme customers and their nominees.
23 These trusts lack economic substance and are used solely to reduce the customers’ income
24 reported on their federal income tax returns. The goal of the tax-fraud scheme is to conceal
25 customers’ income and assets, evade federal taxes, and obstruct IRS collection and examination
26 efforts.

27 14. DiLullo prepares IRS Form 1041 trust federal income tax returns for customers whose
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1 trusts DiLullo established, charging his customers a fee for the service.

2 15. DiLullo engages in a strategy to obstruct and interfere with enforcement of internal
3 revenue laws by advising customers not to communicate with the IRS in the event of an audit or
4 examination.

5 16. DiLullo has actively promoted his tax-fraud scheme and prepared returns for
6 customers since at least 1995.

7 **DiLullo's Trust Scheme**

8 17. DiLullo finds prospective customers for his scheme through word-of-mouth
9 solicitation by existing customers.

10 18. In the typical recruitment, one of DiLullo's existing customers will advise a friend or
11 family member that because he owns a house or a business or is undertaking a life event such as
12 marriage or divorce, he should protect his assets by using a trust. DiLullo's existing customer
13 will then tell the prospect that DiLullo offers a program that can protect his assets and potentially
14 minimize his taxes. DiLullo's existing customer will then assist the friend in setting up a phone
15 or face-to-face meeting with DiLullo in Las Vegas.

16 19. DiLullo has recruited customers using this method since at least 1995. To date, he
17 has recruited customers from Nevada, Washington, Massachusetts, Kansas, Texas, Colorado,
18 Iowa, California, and West Virginia.

19 20. DiLullo has made his recruitment pitch in Las Vegas to prospective customers at least
20 twice in 1995, at least once in 1998, and at least once in January of 1999. Because the IRS has
21 identified at least 28 of DiLullo's customers, DiLullo has likely made the recruiting pitch much
22 more often than this.

23 21. In meetings with prospective customers, DiLullo uses a high-pressure sales technique
24 and a persuasive personality to pitch his scheme. He advises prospective customers that wealthy
25 Americans have protected their assets and avoided taxes for decades using trusts or layers of
26 trusts to obscure assets and income. He falsely assures prospective customers that using his trusts
27 is completely legal, peppering his presentation with citations to IRS publications and purportedly
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1 supportive case law. He advises that by using a combination of domestic and foreign trusts, his
2 customers can lawfully avoid taxation of income.

3 22. During or after his recruitment pitch, DiLullo provides the prospective customer with
4 promotional materials titled "The Pure Trust Report: A Common Law Contract Under the
5 Protection of the United States Constitution." DiLullo's promotional materials include his
6 summary on the legality of trusts, articles on the use of offshore trusts to protect assets and
7 minimize taxes, and investment opportunities in Belize. DiLullo's materials include a cartoon
8 flowchart of how the offshore trusts work, which shows that customers can recoup any assets
9 distributed from their trust to the foreign trusts by the foreign trusts making purported gifts or
10 loans back to persons, trusts, or others still in the United States. A copy of this flowchart is
11 attached as Exhibit A.

12 23. In the recruitment meeting, DiLullo advises customers that in order to gain the tax and
13 asset-protection benefits of his trust scheme, they must use a certain layered trust structure. In his
14 initial recruitment meeting, he advises many prospective customers that they must have a business
15 entity first (e.g., a Limited Liability Company) whose income and assets can all be transferred
16 into a trust. He offers to help establish such a shell business entity for a fee.

17 24. If the customers already have a business entity established, DiLullo advises that all of
18 the business's assets and income-producing property should be transferred to a domestic trust. In
19 order to keep the customer and the trust distinct on paper, he offers to draft the trust formation
20 documents for a fee, ranging between \$1,000 and \$2,000 per trust. Some customers purchase
21 more than one trust, each holding a different business or real property.

22 25. In order to establish this domestic trust, DiLullo names a trust grantor, often himself,
23 one of his family members, or an associate. He advises customers to provide the name of a close
24 family member or friend to be the trustee, and promises that the customer can be appointed as
25 trustee after two years under IRS "rules." Finally, he advises customers that he will appoint a
26 beneficiary on paper. The trust formation documents name the customer as a "general manager."
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1 26. DiLullo advises the customer that DiLullo will obtain an Employment Identification
2 Number from the IRS for the trust, which officially registers the trust with the IRS.

3 27. DiLullo then advises the customer to open a bank account in the trust's name, with
4 the customer and trustee having signatory authority on the bank account. DiLullo assures the
5 customer that the customer will maintain full access and control over the trust's assets and
6 income, and no money need actually to be transferred to the trust beneficiary.

7 28. Finally, DiLullo offers to prepare the customers' trusts' federal tax returns for a fee,
8 and requests that the customer provide him with all receipts and statements for the businesses that
9 the customers have transferred into the trusts. The annual fees DiLullo charges for tax
10 preparation services range between \$100 and \$300 dollars. DiLullo requests that the fees be paid
11 to the order of one of the business entities he operates through, often Equity Management Corp.
12 or Amena Trust. Although DiLullo prepares and files the trust returns, corresponds with his
13 customers, and bills his customers for preparing their trust returns, he fails to sign the trust returns
14 as the preparer.

15 29. Despite DiLullo's customers' selection of nominal trustees for the customers' trusts,
16 the Form 1041 federal income tax returns that DiLullo prepares and files for the trusts do not
17 include signatures of these "trustees." Instead, DiLullo lists one of his entities as the trust's
18 "fiduciary." The trust fiduciaries DiLullo lists on the returns include Noble Trust Co.
19 (purportedly located in Vancouver, British Columbia); Noble Trust Services Co. (purportedly
20 located in Freeport, Bahamas). Upon information and belief, DiLullo controls both of these
21 entities. DiLullo often uses a signature stamp with the name "G. L. Kent" for the fiduciary's
22 signature. DiLullo hides the address and signature of the customer-trust's "trustee" on the filed
23 trust return from the customer, providing to the customer only copies of the trust returns without
24 the trustee's address and containing the phrase "signed by trustee" on the trustee signature line.

25 30. Customers pay DiLullo a fee between \$1,000 to \$2,000 for setting up a trust, and a
26 discounted price for any additional trusts. DiLullo then sends the trust formation documents to
27 the customer and obtains an EIN from the IRS for the trust. The customer annually sends DiLullo
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1 all receipts or statements so that he may prepare and file federal income tax returns for the trusts.
2 DiLullo bills his customers for the trust tax return preparation and any other services he provides
3 for the trusts. Because DiLullo prepares the trust's federal income tax returns and receives his
4 customer's receipts and statements to prepare these returns, he is aware that no money flows from
5 his customers' trusts to the trust beneficiaries.

6 31. Despite the appearance of a trust's legitimacy on paper, the trusts DiLullo establishes
7 for his customers are shams that lack economic substance because:

- 8 a. The trusts distribute little if any funds to the trust beneficiaries;
- 9 b. DiLullo's customers for whom the trusts were established have control and
10 access to the trust's assets;
- 11 c. The purported trustees maintain little if any fiduciary oversight over the
12 trusts, and often have no involvement in the trusts.

13 **DiLullo's Trust Scheme Purports to Allow Customers to Stop Filing**
14 **Personal Federal Income Tax Returns**

15 32. One of the goals of DiLullo's trust scheme is to allow the customer to stop filing tax
16 returns and paying federal income taxes. Because the trusts' federal income tax returns reflect
17 that the income from the customers' trust flows to an offshore trust, the customer eventually
18 claims that he or she does not need to file a federal income tax return because his or her reported
19 income is so low. At least five of DiLullo's customers failed to file federal income tax returns
20 after DiLullo recruited them into the sham-trust scheme.

21 33. DiLullo has failed to file his own federal income tax returns for at least six years.

22 34. When one customer questioned DiLullo in 2002 about the legality of his trust scheme,
23 DiLullo told her that she could stop using the trust as long as she was "not stupid enough" to start
24 paying her income taxes again.

1 35. Because many of DiLullo's customers stop filing federal income tax returns after
2 getting into the sham-trust scheme, the IRS's ability to identify customers, examine customer
3 returns, and determine taxes and accompanying penalties and interest is made significantly more
4 difficult.

5 **DiLullo's Efforts To Obstruct IRS Exams, Collection, and Investigation**

6 36. DiLullo falsely advises his customers that it is illegal for the IRS to investigate them
7 regarding the trust scheme.

8 37. DiLullo provides his customers with a document titled "The 10 Commandments of
9 Trusts," which is "designed to aid you in the management and procedures of a trust. As with any
10 functional organization, the trust can only be as successful as its management, and private as its
11 personnel allow it to be." These "Commandments" advise customers how to represent to the
12 world a distinction between their identities and that of the trust, despite the customer's actual
13 control over the trusts' assets. "Commandment No. 6" of this document provides, "Thou shalt not
14 answer any question ffrom [sic] any government agency, state, local, or federal, about the trust.
15 They must forward any questions to the Board of Trustees in wrting [sic] 'only.' No phone calls
16 or appointments." A copy of "The 10 Commandments of Trusts" is attached as Exhibit B.

17 38. When customers contact DiLullo regarding IRS inquiries about their trusts, DiLullo
18 instructs the customers to ignore the IRS correspondence or throw it away. DiLullo advised one
19 customer by e-mail in October of 2002 that the "IRS was committing mail-fraud" by sending
20 correspondence regarding an investigation of several of the customers' trusts. He further advised
21 that "[y]ou cannot respond to these or it looks like YOU are the correspondent and they are off
22 the hook. These are not nice people to work with—so don't!!!" DiLullo further advised this
23 customer that the IRS "will go away because YOU do not give them information about what they
24 have no business asking."

25 39. In 2005, the IRS began investigating DiLullo's involvement in promoting the trust
26 scheme and his involvement in preparing false and fraudulent tax returns. The investigation
27 related to possible penalties under I.R.C. §§ 6694, 6695, 6700, and 6701, as well as injunction
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1 under I.R.C. §§ 7407 and 7408. During this investigation, the IRS learned that DiLullo prepared
2 at least 25 trust tax returns for customers between 1998 and 2003.

3 40. On March 24, 2005, the IRS sent notice to DiLullo that it was investigating his
4 involvement with the trust promotion and his preparation of false and fraudulent returns. The
5 notice sought to schedule an interview with him, and provided him with a document request
6 known as an Informational Document Request. DiLullo refused to respond to this notice.

7 41. In 2005, the IRS summonsed bank accounts of several trusts and companies that
8 DiLullo controlled, including Soma Trust, Equity Management Corp., and M West Trust.

9 42. During the IRS investigation, DiLullo and an associate, Susan Rand, filed frivolous
10 pro se lawsuits against the investigating IRS Revenue Agent to quash summonses on the bank
11 accounts of two trusts affiliated with DiLullo.

12 a. On December 2, 2005, DiLullo filed the first pro se lawsuit against the IRS
13 Revenue Agent, which the court denied. *SOMA Trust v. Revenue Agent*
14 *Sandra G. Katz*, Case No. 2:05-cv-1423-RLH-PAL (D. Nev. Jan. 4, 2006).
15 Following the court's dismissal of the case, DiLullo filed a motion styled
16 "Notice of Void Judgment, Motion to Recuse, Declaration of Attorney
17 Status, and Request to Reconsider Order," which the court denied. *SOMA*
18 *Trust v. Revenue Agent Sandra G. Katz*, Case No. 2:05-cv-1423-RLH-PAL
19 (D. Nev. Jan. 31, 2006). In his motion, DiLullo made frivolous arguments,
20 such as challenging the court as not being an Article III court, and alleging
21 that because the court ruled adversely to him that the judge "appears to
22 harbor an aversion, hostility, or disposition against the Constitution of the
23 United States." *Id.*

24 b. On the same day DiLullo filed suit, DiLullo's associate Susan Rand filed a
25 second pro se lawsuit seeking to quash IRS summonses, which the court
26 denied *M. West Trust v. Revenue Agent Sandra G. Katz*, Case No. 2:05-
27 1424-RCJ-LRL (D. Nev. Aug. 21, 2006). The court noted that the trust's
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Count I: Injunction under I.R.C. § 7407

49. The United States incorporates by reference the allegations contained in paragraphs 1 through 48.

50. I.R.C. § 7407 authorizes a district court to enjoin an income tax preparer from specified misconduct (which is described in I.R.C. §§ 6694, 6695, and § 7407 itself) if the court finds that injunctive relief is appropriate to prevent recurrence of such conduct.

51. If a court finds that a person has continually or repeatedly engaged in such misconduct and that a narrower injunction prohibiting only that specific conduct would not be sufficient to prevent the person's interference with the proper administration of the internal revenue laws, the court may enjoin the person from acting as an income return preparer.

52. I.R.C. § 6694 provides that a tax return preparer is subject to penalty if he or she prepares a return or claim for refund understating a customer's tax liability based on a position for which there is no realistic possibility of the position being sustained on its merits, and the preparer knew or should have known of the position. A return preparer is subject to a larger penalty if the understatement of liability is due to the preparer's willful attempt to understate the liability or the reckless or intentional disregard of rules or regulations.

53. DiLullo prepared trust returns for customers which unlawfully attributed customers' personal income to the trusts and mischaracterized income actually reported. DiLullo did so knowing or having reason to know that such trust returns and characterizations had no validity in fact and no possibility of being sustained on the merits. DiLullo prepared such trust returns in willful attempts to understate the taxpayers' liability and in reckless and intentional disregard of internal revenue laws and regulations.

54. DiLullo has prepared at least 28 trust tax returns for customers for submission to the IRS, a substantial number (if not all) of which contain unlawful mischaracterizations and other false or fraudulent statements about the customers' income, deductions, and tax liability. From 25 customers alone the United States estimates that the total tax loss to the government exceeds \$2,250,000 so far.

1 55. I.R.C. § 6695 penalizes a return preparer who prepares a return and fails to:

- 2 (a) furnish a copy of the return to the customer as required by I.R.C. § 6107(a);
- 3 (b) sign the return;
- 4 (c) furnish the return preparer's own identifying number on the return, as
5 required by I.R.C. § 6109(a)(4); or
- 6 (d) as required by I.R.C. § 6107(b), retain a copy of the returns he prepares or
7 a list of the names and taxpayer identification numbers of those for whom
8 he prepares returns, and make the copies or list available to the IRS upon
9 request.

10 56. DiLullo fails to sign all tax returns he prepares for customers and also fails to put his
11 identification number on all returns he prepares.

12 57. DiLullo failed to comply with an IRS request that he turn over copies of returns and
13 refund claims he prepared, or alternatively provide a list of customers for whom returns or claims
14 were prepared. This was in violation of I.R.C. § 6107 and was conduct subject to penalty

15 58. DiLullo has continually and repeatedly engaged in conduct subject to penalty under
16 I.R.C. § 6694 and 6695. DiLullo's return preparation substantially interferes with the
17 administration of the internal revenue laws, and he is subject to injunction under I.R.C. § 7407.
18 DiLullo has continually and repeatedly engaged in fraudulent and deceptive conduct that
19 interferes with the proper administration of the internal revenue laws.

20 59. DiLullo's use of a trustee signature stamp to submit trust tax returns to the IRS as
21 purportedly signed by a trustee when in fact no trustee has viewed or signed the returns is "other
22 fraudulent or deceptive conduct" within the meaning of IRC § 7407(b)(1)(D) that is also a basis
23 for enjoining DiLullo.

24 60. An injunction prohibiting only DiLullo's preparation of returns understating
25 taxpayers' liabilities and including unrealistic positions is not sufficient to prevent him from
26 further interfering with the proper administration of the internal revenue laws.

27 **Count II: Injunction under I.R.C. § 7408**

28 61. The United States incorporates by reference the allegations contained in paragraphs 1
through 60.

1 62. I.R.C. § 7408 authorizes a district court to enjoin persons who have engaged in
2 conduct subject to penalty under I.R.C. §§ 6700 or 6701 from engaging in further such conduct if
3 injunctive relief is appropriate to prevent recurrence of the conduct.

4 63. I.R.C. § 6700 imposes a penalty on any person who organizes or participates in the
5 sale of a plan or arrangement and in so doing knowingly makes, or causes to be made, a statement
6 with respect to the allowability of any deduction or credit, the excludability of any income, or the
7 securing of another tax benefit, because of an interest held in the entity or because of his
8 participation in the plan or arrangement, that the person knows or has reason to know is false or
9 fraudulent as to any material matter.

10 64. DiLullo, in organizing, promoting, and selling his scheme and his services, made
11 materially false or fraudulent statements to customers about the tax benefits from participating in
12 the scheme. In addition, he made materially false or fraudulent statements regarding customers'
13 liability for personal income taxes. DiLullo knew or had reason to know that his statements were
14 false or fraudulent.

15 65. Section 6701 penalizes a person who aids or assists in, procures, or advises with
16 respect to the preparation or presentation of any portion of a federal tax return, refund claim, or
17 other document, knowing or having reason to believe that such document will be used in
18 connection with any material matter under the tax laws, and knowing that such portion, if used,
19 would result in an understatement of another person's tax liability.

20 66. DiLullo established sham trusts for customers. DiLullo prepared and filed false
21 federal tax returns for these customers' trusts knowing that the filing of these trust returns would
22 result in understatements of customers' correct tax liability and knowing that customers would
23 submit personal tax returns falsely reporting reduced or zero personal income (or stop filing
24 personal income tax returns altogether).

25 67. DiLullo engaged in conduct subject to penalty under I.R.C. §§ 6700 and 6701, and is
26 subject to an injunction under I.R.C. § 7408.

27 68. I.R.C. §§ 7402 and 7408 authorize a court to issue orders of injunction as may be
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1 necessary or appropriate for the enforcement of the internal revenue laws. DiLullo, through his
2 conduct described above, has engaged in conduct that substantially interferes with the
3 enforcement of the internal revenue laws.

4 **Count III. Injunction Under I.R.C. § 7402**

5 69. The United States incorporates by reference the allegations contained in paragraphs 1
6 through 68.

7 70. I.R.C. 7402(a) authorizes a court to issue injunctions as may be necessary or
8 appropriate for the enforcement of the internal revenue laws, even if the United States has other
9 remedies available for enforcing those laws.

10 71. DiLullo's conduct during investigation and examination of his customers' trusts and
11 his customers significantly interferes with the enforcement of internal revenue laws. DiLullo
12 intentionally causes the United States unnecessary delay and expense by making frivolous filings,
13 false statements to customers, and coercing and assisting customers to obstruct IRS
14 investigations.

15 72. DiLullo knew or had reason to know that the Forms 1041 he filed or caused to be
16 filed had no basis in fact, that the statements he made therein were false, and that the statements
17 made to customers to ignore IRS correspondence would have the effect of obstructing the IRS's
18 lawful examinations of his customers. DiLullo made factual misstatements to customers
19 regarding the propriety of lawful IRS investigations with a motive to delay, impede, or prevent
20 examinations of customers' tax, penalty, and interest liabilities.

21 73. DiLullo refused to respond to the IRS Informational Document Requests, and failed
22 to provide copies of returns or refund claims prepared for customers' trusts or a list of his
23 customers, with the motive to delay or impede lawful investigation into his liability for penalties
24 under I.R.C. §§ 6700 and 6701.

25 74. DiLullo is subject to an injunction under I.R.C. § 7402 for his conduct and actions.
26 Unless enjoined by this Court, DiLullo is likely to continue to engage in such conduct.

1 **WHEREFORE**, plaintiff, the United States of America, respectfully prays for the following
2 relief:

3 A. That the Court find that DiLullo has continually and repeatedly engaged in conduct
4 subject to penalty under I.R.C. §§ 6700, 6701, 6694, and 6695, and has engaged in conduct that
5 interferes with the administration and enforcement of the internal revenue laws;

6 B. That the Court find that injunctive relief is appropriate under I.R.C. §§ 7402, 7407, and
7 7408 to prevent DiLullo and anyone acting in concert with him from further recurrence of such
8 conduct;

9 C. That the Court enter a permanent injunction pursuant to I.R.C. §§ 7402, 7407, and
10 7408, prohibiting DiLullo from:

- 11 (a) Organizing, promoting, marketing, or selling his trust scheme;
- 12 (b) Causing or assisting other persons and entities to understate their federal tax
13 liabilities and avoid paying federal taxes;
- 14 (c) Preparing or filing, or helping others to prepare or file, federal income tax returns
15 for anyone other than himself.
- 16 (d) Engaging in any conduct subject to penalty under I.R.C. § 6700, including making
17 or furnishing, in connection with the organization or sale of a shelter, plan, or
18 arrangement, a statement that he knows or has reason to know to be false or
19 fraudulent as to any material federal tax matter, or by making a gross valuation
20 overstatement;
- 21 (e) Engaging in any conduct subject to penalty under I.R.C. § 6701, *i.e.*, preparing or
22 assisting others in the preparation of any tax forms or other documents to be used
23 in connection with any material matter arising under the internal revenue laws
24 which DiLullo knows will (if so used) result in the understatement of another
25 person's tax liability;
- 26 (f) Engaging in any conduct subject to penalty under I.R.C. § 6694 and 6695,
27 including preparing tax returns for customers with unrealistic positions, failing to
28 sign returns DiLullo prepares, failing to provide returns or refund claims prepared
for customers, and failing to provide a list of customers; and
- (g) Engaging in any other conduct subject to any penalty under the I.R.C.;

D. That the Court order DiLullo to turn over to counsel for the United States a list of the
names, addresses, e-mail addresses, phone numbers, and Social Security numbers of all customers
for whom he has created trusts and prepared federal tax returns (or the trusts' federal tax returns)

1 or whom he has advised, counseled, or otherwise assisted regarding the preparation of federal tax
2 returns or advised regarding their tax liability;

3 E. That the Court, order DiLullo to contact all persons for whom he prepared or helped to
4 prepare any federal income tax returns or any other federal tax related document, and inform
5 those persons of the entry of the Court's findings concerning the falsity of the tax returns or tax-
6 related documents and the possibility of the imposition of penalties against them, and the fact that
7 an injunction has been entered against DiLullo;

8 F. That the Court order DiLullo to complete the requirements listed in paragraphs D and
9 E within 20 days of the Court's permanent injunction, and order DiLullo to file with the Court a
10 certificate of compliance with those requirements, signed under penalties of perjury, along with
11 evidence of compliance, within 20 days of the Court's permanent injunction;

12 G. That the Court allow the United States full post-judgment discovery to monitor
13 compliance with the injunction;

14 H. That this Court retain jurisdiction over this action for purposes of implementing and
15 enforcing the final judgment and any additional orders necessary and appropriate to the public
16 interest; and

17 I. That the Court grant the United States such other and further relief, including costs, as
18 the Court deems appropriate.

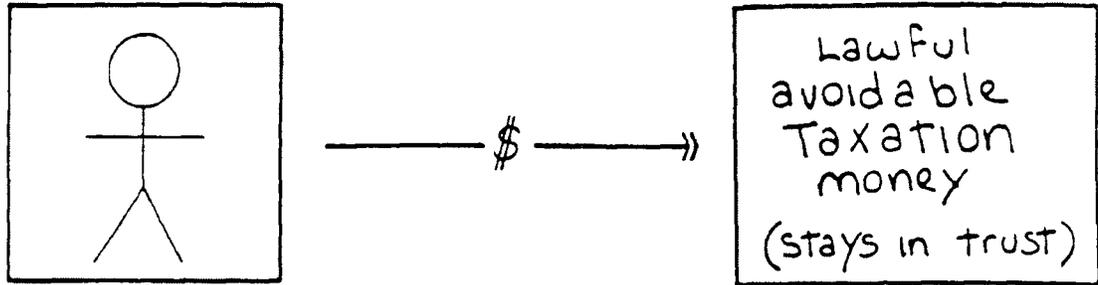
19
20 The United States respectfully requests that the trial for this matter be held in the United States
21 District Courthouse in Las Vegas, Nevada.

1 Dated this 14th day of March, 2007.
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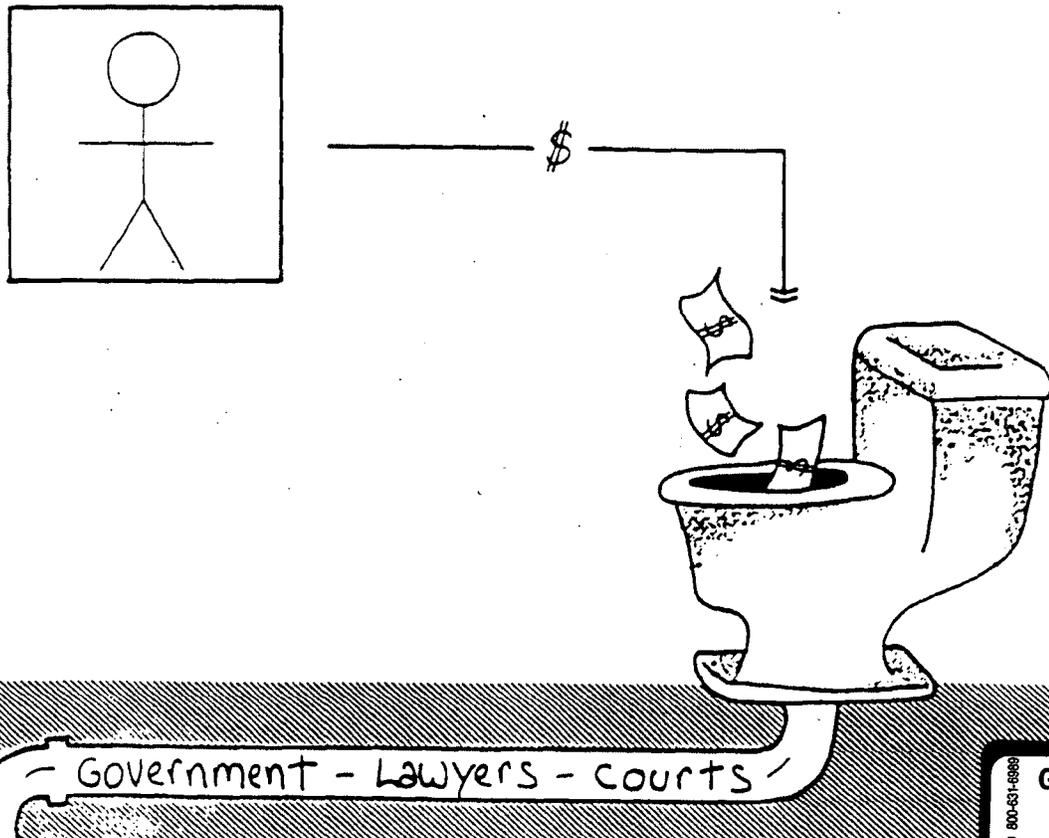
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5 Acting United States Attorney

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YOUR FUTURE USING A TRUST SYSTEM

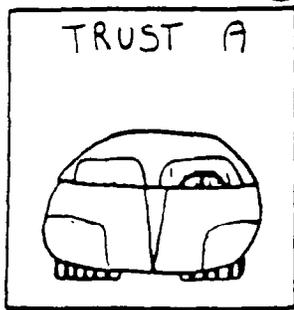


YOUR FUTURE WITHOUT A TRUST SYSTEM

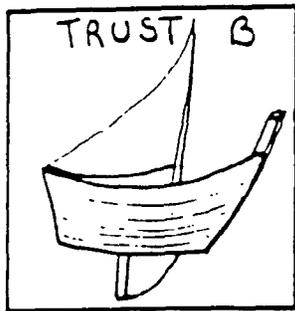


PENGAD 800-631-6888
GOVERNMENT
EXHIBIT
A

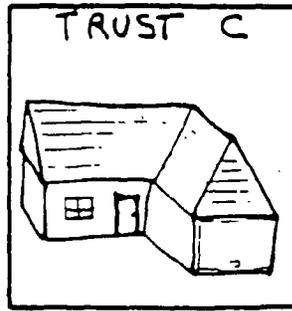
Limiting Liability with trusts



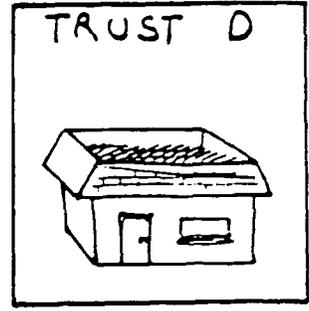
AUTO



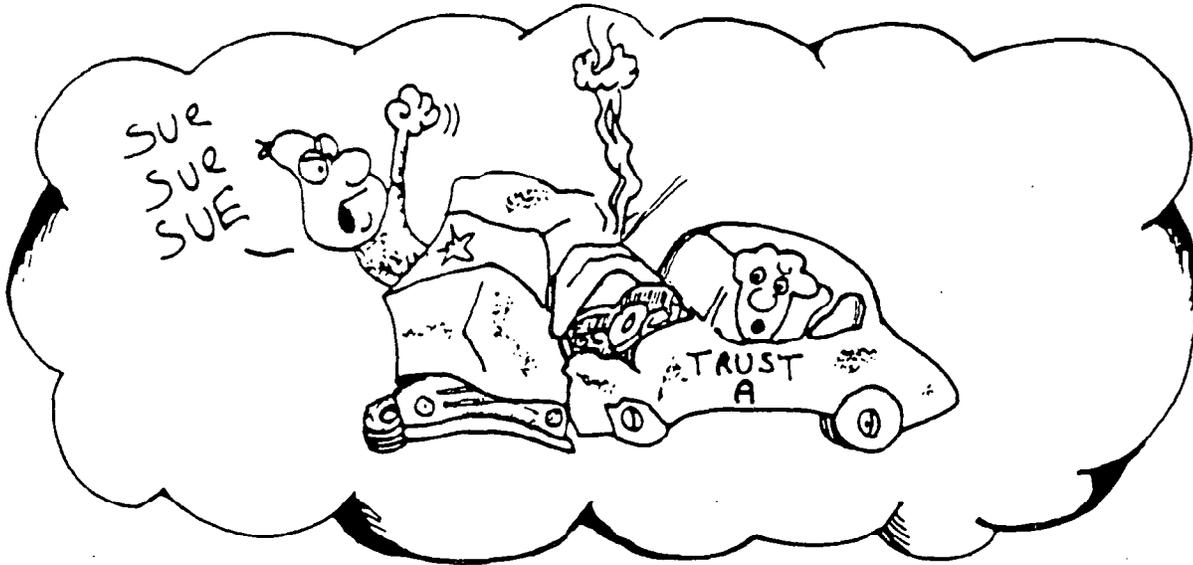
BOAT



HOME



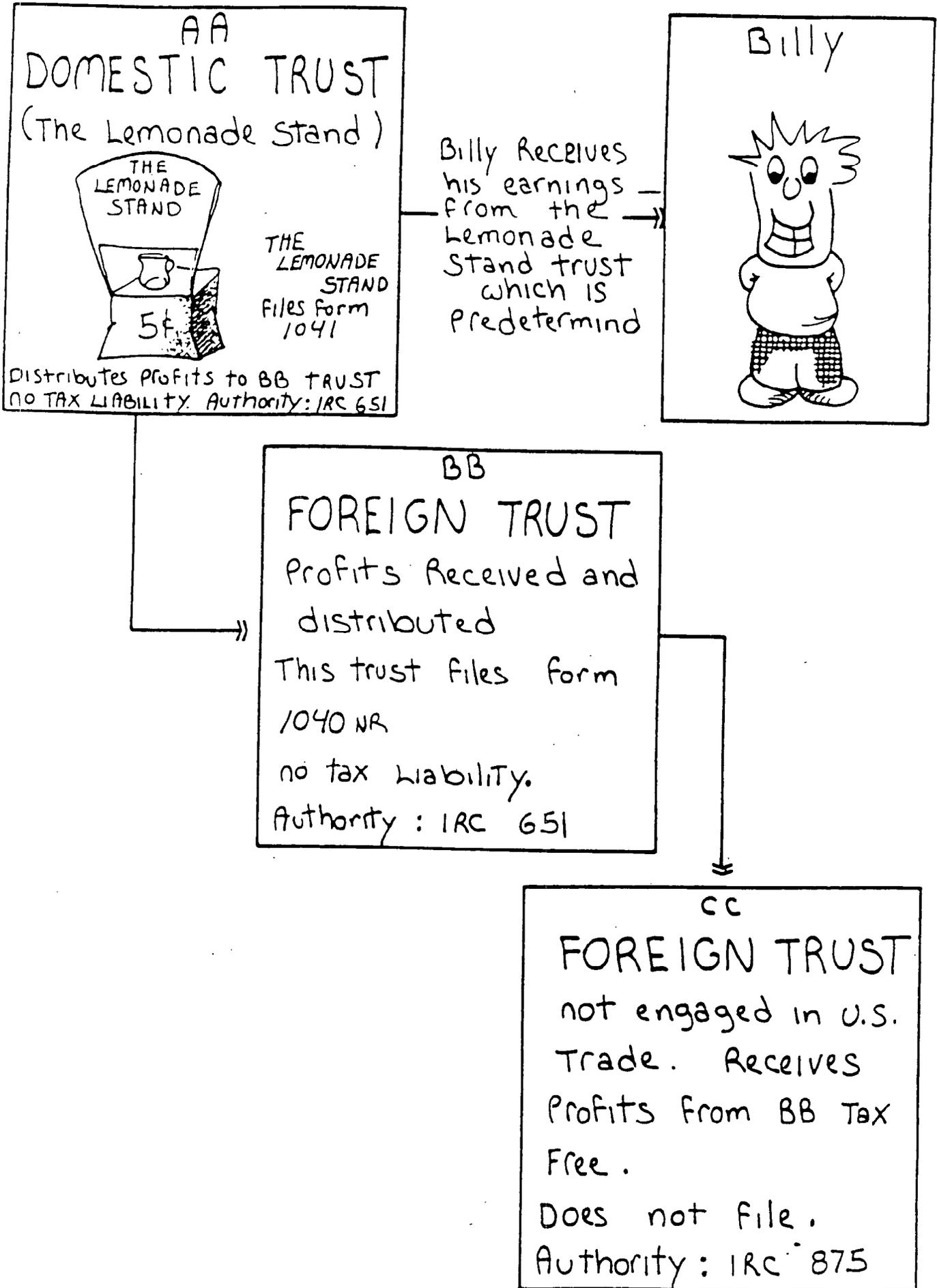
BUSINESS

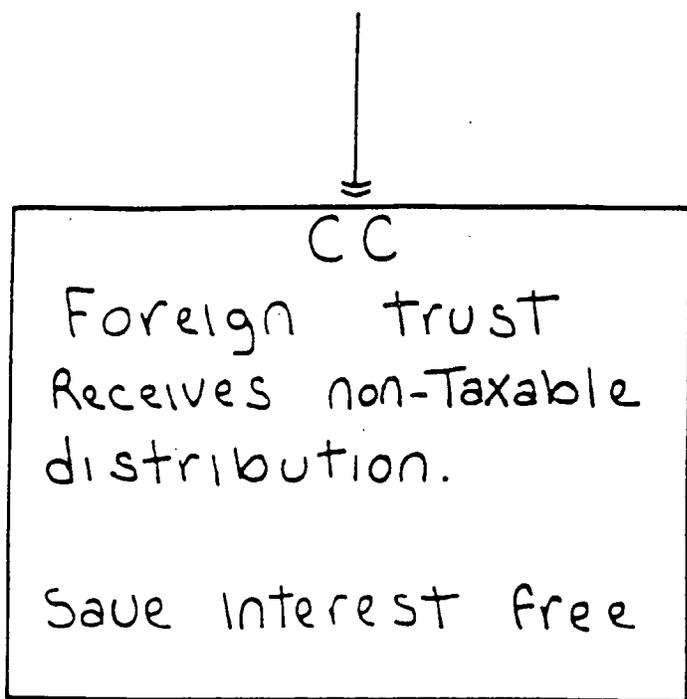


Car belongs to trust A. Driver has no money or property, because it is all distributed out to other trusts. He is therefore flat broke!

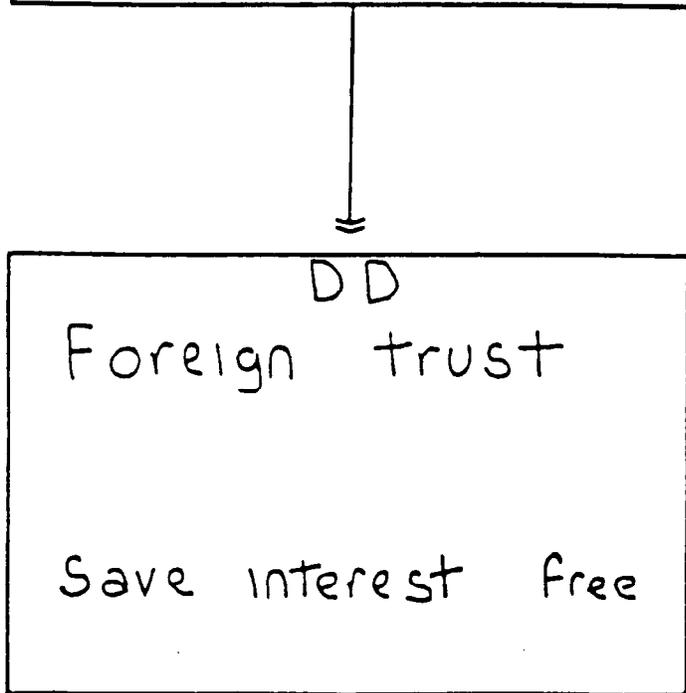
Other driver sues and gets trust A's car. financial liability can't be tied to driver. Without trusts, accident could be costly and even devastating.



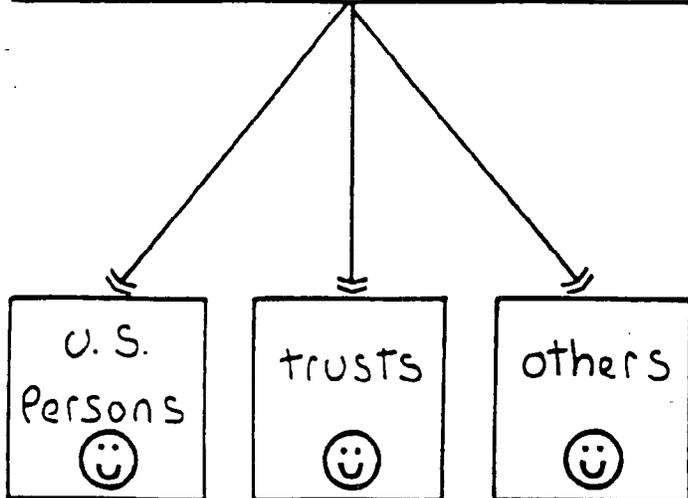




1. In Foreign Jurisdiction.
2. No Requirement to file.
3. No Requirement to Pay.
4. Complex trust with Right to distribute or retain Profits.
5. Distribute Profits to DD.



1. DD trust in foreign Jurisdiction.
2. Has right to make gifts to u.s. persons, trusts or others.
3. Has right to make Loans to u.s. Persons, trusts or others.



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Dec. 27 2005 06:30PM P41

The 10 Commandments of Trusts

"The 10 Commandments of Trusts" are designed to aid you in the management and procedures of a trust. As with any functional organization, the trust can only be as successful as its' management, and private as its personnel allow it to be.

1. THOU SHALL NOT SAY, "I HAVE A TRUST", "MY TRUST", "MY COMPANY". A TRUST OR L.L.C. (limited liability company), ARE NEITHER YOU NOR YOURS. THEY ARE SEPARATE ENTITIES OF THEIR OWN, AND OPERATE INDEPENDANTLY FROM YOU.
2. THOU SHALL SAY, " I'M THE MANAGER OR TRUSTEE OF A TRUST OR L.L.C." "I HAVE BEEN APPOINTED TO MY POSITION BY THE BOARD OF TRUSTEES". YOU MAY SAY ANYTHING THAT DOES NOT IMPLY OWNERSHIP OR TOTAL CONTROL.
3. THOU SHALL MAKE SURE THAT THY RECORDS REFLECT AT ALL TIMES THAT YOU ACT AS AAN AGENT FOR THE TRUST. OR AS A MANAGER OR TRUSTEE OF THE L.L.C. AND THAT YOU, PERSONALLY, ARE SUBORDINATE TO SOMETHING OR SOMEONE OTHER THAN YOURSELF
4. THOU SHALL KEEP GOOD AND ACCURATE RECORDS, THE IMPORRTANCE OF GOOD AND ACCURATE RECORDS, IN CASE OF COURT ORDERS IF EVER CALLED UPON TO CLEAR A PROPERTY DISPUTE.
5. THE TRUST SHALL NOT PAY FOR ANYTHING OUT OF IT'S BANK ACCOUNT THAT "YOU" PUT IN, OR ON "YOU". EXAMPLE: PERSONAL, FAMILY CLOTHING, FOOD, SMALL BILLS. ETC. REMEMBER THAT YOU AND TRUST ARE SEPARATE ENTITIES. IF YOU DO WANT THE TRUST TO BE DECLARED "YOUR ALTER EGO", OR A GRANTOR TRUST, THEN YOU MUST NOT ACT AS IF IT IS, "YOU".
6. THOU SHALT NOT ANSWER ANY QUESTION FFROM ANY GOVERNMENT AGENCY, STATE, LOCAL, OR FEDERAL, ABOUT THE TRUST. THEY MUST FORWARD ANY QUESTION TO THE BOARD OF TRUSTEES IN WRTING "ONLY". NO PHONE CALLS OR APPOINTMENTS.
7. THOU SHALL REMEMBER THAT YOU DO NOT OWN THE ASSETS IN THE TRUST. YOU USE OR MANAGE THEM UNDER THE TERMS OF THE TRUST CONTRACT (TRUST ENDENTURE), WITH THE BOARD OF TRUSTEES.
8. THOU SHALT REMEMBER TO USE THE TRUST'S E.I.N. OR T.I.N. NUMBER FOR EVERYTHING AND NEVER YOUR SOCIAL SECURITY NUMBER
9. THOU SHALL "HONOR THY CREATORS' WISHES AT ALL TIMES", AND ALWAYS PERFORM YOUR DUTIES ASSIGNED YOU BY THE BOARD OF TRUSTEES.
10. TRUST ARE NOT BOUGHT OR SOLD. THEY ARE ESTABLISHED REFER TO ME

